

**ELECTRIC RATE SCHEDULE**                      **MSR**  
**Merger Surcredit Rider**

**APPLICABLE**

In all territory served by the Company.

**AVAILABILITY OF SERVICE**

To Kentucky Utilities Company Electric Rate Schedules RS, FERS, GS, CWH, 33, AES, LP, LCI-TOD, HLF, MP, LMP-TOD, M, ST.LT., P.O.LT., C.O.LT., SEASONAL/TEMPORARY SERVICE RIDER, AND WESTVACO

**RATE**

The monthly billing amount computed under each of the rate schedules to which this surcredit is applicable shall be adjusted by the Merger Surcredit Factor, which shall be calculated in accordance with the following formula:

$$\text{Merger Surcredit Factor} = \text{MS} + \text{BA}$$

**Where:**

(MS) is the Merger Surcredit which is based on the total Company net savings that are to be distributed to the Company's Kentucky jurisdictional retail customers in each 12-month period.

	Net Savings to be Distributed	Merger Surcredit (MS)
Year 1	\$ 6,008,699	0.972%
Year 2	\$ 8,764,133	1.387%
Year 3	\$ 11,824,431	1.836%
Year 4	\$ 12,978,580	1.979%
Year 5	\$ 14,287,560	2.139%

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

SEP 12 1997

PURSUANT TO 807 KAR 5011,  
SECTION 9 (1)

BY: Stephan Bue  
SECRETARY OF THE COMMISSION

(BA) is the Balancing Adjustment for the second through the twelfth months of the current distribution year which reconciles any over- or under-distribution of the net savings from prior periods. The Balancing Adjustment will be determined by dividing the differences between amounts which were expected to be distributed and the amounts actually distributed from the application of the Merger Surcredit Factor from the previous year by the expected Kentucky jurisdictional retail electric revenues. The final Balancing Adjustment will be applied to customer billings in the second month following the fifth distribution year.

**TERMS OF DISTRIBUTION**

- (1) The total distribution to Company's customers will, in no case, be less than the sum of the amounts shown above.
- (2) In the event that the total actual combined cost for KU and LG&E to achieve the merger is less than \$77,220,000, one-half of the additional net savings resulting therefrom shall be distributed to the customers of KU and LG&E based on a 53/47 allocation between companies. The distribution to Kentucky jurisdictional retail customers shall be determined by multiplying the KU customers' portion of the distribution by a factor of 0.86175. Any such distribution shall occur in Year 5, via the Balancing Adjustment (BA).
- (3) On or before the 21st of the first month of each distribution year following Year 1, the Company will file with the Commission a status report of the Surcredit. Such report shall include a statement showing the amounts which were expected to be distributed and the amounts actually distributed in previous periods, along with a calculation of the Balancing Adjustment (BA) which will be implemented with customer billings in the second month of that distribution year to reconcile any previous over-or under-distributions.
- (4) The Merger Surcredit shall be applied to the customer's bill following the rates and charges for electric service, but before application of the school tax, the franchise fee, sales tax or similar items.
- (5) The Merger Surcredit (MS) for the fifth year shall remain in effect pending findings of a PSC formal proceeding for sharing the then projected levels of merger savings.

Not effective until  
Consummation of Merger.  
New tariff to be filed  
at that time.

Date of Issue: October 1, 1997

Issued By

R. L. Willhite, Vice President  
Lexington, Kentucky  
Issued Pursuant to K.P.S.C. Order No. 97-300  
Dated September 12, 1997

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